

HARTFORD PUBLIC LIBRARY

FINANCIAL REPORT

December 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Hartford Public Library	County Van Buren
Fiscal Year End December 31, 2007	Opinion Date May 8, 2008	Date Audit Report Submitted to State May 23, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

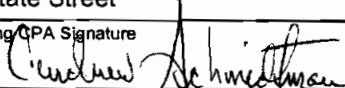
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No items requiring comment.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Andrew A Schmidtman		Telephone Number 269-983-6523	
Street Address 404 State Street		City Saint Joseph	State Zip MI 49085
Authorizing CPA Signature 		Printed Name Andrew A Schmidtman	License Number A674821

HARTFORD PUBLIC LIBRARY

FINANCIAL REPORT

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Independent Auditor's Report

To the Hartford Public Library Board
Hartford, Michigan

I have audited the accompanying basic financial statements of the Hartford Public Library as of and for the year ended December 31, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Hartford Public Library's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Hartford Public Library as of December 31, 2007, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements, but are supplemental information required by the Government Accounting Standards Board. I have applied certain procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.



Andrew A Schmidtman
May 8, 2008

HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Basic Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and the required supplemental information. The basic financial statements include information that presents two different views of the Hartford Public Library (the "Library"):

The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These fund financial statements focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.

The government-wide financial statement column provides both long-term and short-term information about the Library's overall financial status. The statement of net assets and statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The basic financial statements also includes Notes that explain some of the information in the financial statements and provide more detailed information.

The required supplemental information follows the basic financial statements and provides additional information related to the general fund.

HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Condensed Financial Information

The following provides financial information in a condensed format using the full-accrual basis of accounting.

	<u>2007</u>	<u>2006</u>
Current assets	\$195,943	\$191,601
Capital assets	<u>184,621</u>	<u>159,558</u>
Total assets	<u>380,564</u>	<u>351,159</u>
Current liabilities	<u>1,680</u>	<u>13,203</u>
Total liabilities	<u>1,680</u>	<u>13,203</u>
Net assets:		
Invested in capital assets	184,621	159,558
Unrestricted	<u>194,263</u>	<u>178,398</u>
Total net assets	<u>\$378,884</u>	<u>\$337,956</u>
Revenues:		
Property taxes	\$138,021	\$133,488
Fines	33,177	34,586
Donations	1,929	1,780
Other	<u>25,764</u>	<u>19,831</u>
Total Revenue	198,891	189,685
Expenses - library services	<u>157,963</u>	<u>130,669</u>
Change in net assets	<u>\$40,928</u>	<u>\$59,016</u>

HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Hartford Public Library as a Whole

The Library's net assets increased by \$40,928 during the year. Revenue increased by 5% this year and expenses increased by 21%. The receipt of a grant from the Gates Foundation and an increase in property taxes accounted for most of the revenue increase. The Library received \$5,347 from the Gates Foundation to upgrade the computers used by the public to access the Internet. The increase in expenses is due to higher costs for wages, employee insurance, computer maintenance, building repairs and costs related to the new Verso circulation program.

The Library's primary sources of revenue are property taxes and fines. These items combined to account for 88% of total revenue. The revenue from fines will vary from year to year depending upon fines assessed and collected by the courts.

Personnel expenses are a significant cost to the Library. Wages, payroll taxes, and employee health insurance represent 62% of total expenses. Other significant expenses include utilities, repairs and maintenance, liability insurance, computer maintenance, and depreciation expense.

Hartford Public Library's Fund

An analysis of the Library's major fund is included in the financial statements in the first column. This column presents information about the Library's General Fund. The fund balance of the General Fund increased during the year by \$15,865. The increase in fund balance is after expenditures for capital outlays of \$41,548.

Budgetary Highlights

The Library Board reviews the budget and actual expenditures during the year to monitor how the budgeted expenditures compare with the events that occur during the year. The Library Board amends the budget as necessary to reflect changes that occur during the year.

The Library incurred expenditures in excess of the amounts budgeted for certain line items. The most significant budget overruns were for capital expenditures and wages. The overrun in capital expenditures is mainly due to the cost of new windows installed of \$6,974 which was budgeted as a repair cost.

HARTFORD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$184,621 invested in land, land improvements, buildings, building improvements, library collection, furniture and fixtures, and office equipment. The Library invested \$41,548 in capital assets during the year. The largest expenditures were \$17,319 to upgrade the parking lot and \$6,974 for new windows.

The Library did not have any debt activity during the fiscal year.

Request for Information

This financial report is designed to provide a general overview of the Library's finances. Questions concerning the information provided in this report should be directed to the Library's management, Hartford Public Library, 15 Franklin Street, Hartford, MI 49057.

HARTFORD PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	General Fund - Modified Accrual Basis	Adjustments Note 2	Statement of Net Assets - Full Accrual
<u>Assets</u>			
Cash and cash equivalents - Note 4	\$195,943	\$ - -	\$195,943
Capital assets - Note 5	<u>- -</u>	<u>184,621</u>	<u>184,621</u>
Total assets	<u>\$195,943</u>	<u>\$184,621</u>	<u>\$380,564</u>
 <u>Liabilities</u>			
Accrued liabilities	<u>1,680</u>	<u>\$ - -</u>	<u>1,680</u>
Total liabilities	<u>1,680</u>	<u>- -</u>	<u>1,680</u>
 <u>Fund Balance / Net Assets</u>			
Fund Balance:			
Unreserved	<u>194,263</u>	<u>(194,263)</u>	<u>- -</u>
Total liabilities and fund balance	<u>\$195,943</u>	<u>(\$194,263)</u>	<u>1,680</u>
 Net Assets:			
Invested in capital assets, net of debt		\$184,621	184,621
Unrestricted		<u>194,263</u>	<u>194,263</u>
Total net assets		<u>\$378,884</u>	<u>\$378,884</u>

See accompanying notes to financial statements.

HARTFORD PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE AND
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2007

	General Fund - Modified Accrual Basis	Adjustments Note 2	Statement of Activities - Full Accrual
<u>Revenue</u>			
State aid	\$7,105	\$ --	\$7,105
City of Hartford property taxes	42,047	--	42,047
Hartford Township property taxes	95,974	--	95,974
Van Buren District Library	4,531	--	4,531
Fines	33,177	--	33,177
Gates Foundation grant	5,347	--	5,347
Interest	6,082	--	6,082
Donations	1,929	--	1,929
Miscellaneous	2,699	--	2,699
Total revenue	198,891	--	198,891
<u>Expenditures</u>			
Wages and payroll taxes	75,599	--	75,599
Employee health insurance	22,525	--	22,525
Supplies	3,119	--	3,119
Membership fees	2,137	--	2,137
Children's programs	3,326	--	3,326
Professional fees	4,550	--	4,550
Repairs and maintenance	4,230	--	4,230
Contractual services	1,212	--	1,212
Utilities	6,888	--	6,888
Conferences / workshops	294	--	294
Insurance	6,384	--	6,384
Computer maintenance	5,743	--	5,743
Miscellaneous	723	--	723
Verso circulation program	7,000	(3,000)	4,000
Magazines and periodicals	748	--	748
Audio, visual, and books	11,654	(11,654)	--
Capital expenditures	26,894	(26,894)	--
Depreciation	--	16,485	16,485
Total expenditures	183,026	(25,063)	157,963
Excess of Revenue Over (Under) Expenditures	15,865	25,063	40,928
Fund Balance / Net Assets - January 1, 2007	178,398	159,558	337,956
Fund Balance / Net Assets - December 31, 2007	\$194,263	\$184,621	\$378,884

See accompanying notes to financial statements.

HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 1 - Summary of Significant Accounting Policies

The Hartford Public Library (the "Library") is a district library located in the City of Hartford, Michigan and is governed by an appointed board. The City of Hartford and Hartford Township each appoints three members to the board. The Library provides services to the residents of the City of Hartford and Hartford Township. Services are also provided to a portion of Bangor and Keeler townships. The Library is primarily financed through tax levies, fines, state aid, and charitable donations. The revenue is used to staff and operate the Library.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationship with the Library, there are no component units to be included in these financial statements.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major fund).

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations.

HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

The General Fund is the Library's only major governmental fund. It accounts for all financial resources of the Library.

Financial Statement Amounts

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Capital Assets - Generally, capital assets are defined by the Library as assets with an initial cost of more than \$100 and an estimated useful life in excess of one year. The cost of books, audio, and visual items are also capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Land improvements	20 years
Building and building improvements	20-40 years
Furniture and fixtures	10 years
Computers and office equipment	5 years
Library books, audio, and video items	8 years

HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue - Property taxes are levied on December 1 on the taxable valuation of property located in the Library district as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2006 ad valorem tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended December 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations. The 2006 ad valorem tax levied consisted of 1.5629 mills for operations.

The Library has agreed to provide services to a portion of Bangor Township. The Van Buren District Library has agreed to remit 10% of the tax revenue it collects from Bangor Township to the Library to compensate the Library for the costs of providing services to Bangor Township residents.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures during the period. Actual amounts could differ from those estimates.

Note 2 - Reconciliation of Fund Financial Statements to Government-wide Statements

The General Fund's fund balance and the net change in the fund balance differ from net assets and change in net assets reported in the statement of net assets and statement of activities. The difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the current economic focus of the statement of the General Fund balance sheet and statement of revenues, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and change in fund balance to change in net assets:

HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 2 - Reconciliation of Fund Financial Statements to Government-wide Statements (Continued)

Total Fund Balance - modified accrual basis	\$194,263
Differences in the amounts reported in the statement of net assets:	
Capital assets are not financial resources and are not reported in the funds	<u>184,621</u>
Total Net Assets - full accrual basis	<u>\$378,884</u>
Net Change in Fund Balance - modified accrual basis	\$15,865
Differences in the amounts reported in the statement of activities:	
Governmental funds report capital outlays as expenditures, these costs are allocated over their useful lives as depreciation:	
Audio,visual,books, and capital outlays	41,548
Depreciation	<u>(16,485)</u>
Change in Net Assets - full accrual basis	<u>\$40,928</u>

Note 3 - Risk Management

The Library is exposed to various risks of loss including property loss, torts, theft, errors and omissions, employee injuries (workers compensation), and medical benefits provided to employees. The Library has purchased commercial insurance for risks of losses due to employee injuries and employee medical claims. The Library participates in the Michigan Township Participating Plan for property and general liability claims.

HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 4 - Deposits and Investments

State statutes authorize local government units to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. State statutes also allows investments in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States.

The Library's funds were deposited into a bank that meets the requirements of state statutes. The carrying amount of the deposits was \$195,893 and the bank balance was \$195,815 at December 31, 2007. The Library had Federal Depository Insurance Corporation insured deposits of \$100,000 and uninsured deposits of \$95,815.

Note 5 - Capital Assets

Capital assets activity for the year are as follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Capital assets not being depreciated:				
Land	<u>\$7,500</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$7,500</u>
Capital assets being depreciated:				
Land improvements	\$ --	\$17,319	\$ --	\$17,319
Buildings	\$44,500			44,500
Building improvements	97,651	6,974	--	104,625
Library collection	368,009	11,654	113,850	265,813
Office equipment	23,364	5,601	--	28,965
Furniture and fixtures	105,099	--	--	105,099
Subtotal	638,623	41,548	113,850	566,321
Less accumulated depreciation	<u>486,565</u>	<u>16,485</u>	<u>113,850</u>	<u>389,200</u>
Net capital assets being depreciated	<u>152,058</u>	<u>25,063</u>	<u>--</u>	<u>177,121</u>
Net capital assets	<u>\$159,558</u>	<u>\$25,063</u>	<u>\$ --</u>	<u>\$184,621</u>

Depreciation expense was \$16,485 for the year ended December 31, 2007.

HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 6 - Budget Information

The annual budget is prepared by the Library Director and then submitted to the Library Board for adoption. Subsequent amendments are approved by the Library Board during the course of the year. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget has been adopted on a line item basis, expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget is presented in the required supplemental information.

During the year the Library incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
Wages and payroll taxes	70,607	75,599
Computer maintenance	5,266	5,743
Miscellaneous	683	723
Capital expenditures	20,796	26,894

Note 7 - Related Party Transactions

The Library purchased computer equipment and computer support services from a business owned by a family member of a Board trustee. The amount paid for equipment and support services for the year ended December 31, 2007 was \$7,286.

HARTFORD PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance Amended Budget
Revenue				
State aid	\$6,000	\$7,105	\$7,105	\$ - -
City of Hartford property taxes	40,000	36,813	42,047	5,234
Hartford Township property taxes	76,000	84,851	95,974	11,123
Van Buren District Library	3,000	20,888	4,531	(16,357)
Fines	35,000	30,518	33,177	2,659
Gates Foundation grant	3,500	- -	5,347	5,347
Interest	1,100	5,729	6,082	353
Donations	1,000	879	1,929	1,050
Miscellaneous	1,500	2,900	2,699	(201)
Total revenue	<u>167,100</u>	<u>189,683</u>	<u>198,891</u>	<u>9,208</u>
Expenditures				
Wages and payroll taxes	86,800	70,607	75,599	(4,992)
Employee health insurance	22,000	22,525	22,525	- -
Supplies	3,200	3,119	3,119	- -
Membership fees	1,500	2,137	2,137	- -
Children's programs	3,500	3,326	3,326	- -
Professional fees	3,500	4,550	4,550	- -
Repairs and maintenance	6,400	11,205	4,230	6,975
Contractual services	1,000	1,212	1,212	- -
Utilities	7,800	6,908	6,888	20
Conferences / workshops	1,400	294	294	- -
Insurance	6,900	6,384	6,384	- -
Computer maintenance	1,200	5,266	5,743	(477)
Miscellaneous	1,100	683	723	(40)
Verso circulation program		7,000	7,000	- -
Magazines and periodicals	1,000	748	748	- -
Audio,visual, and books	15,000	11,654	11,654	- -
Capital expenditures	2,000	20,796	26,894	(6,098)
Contingency	2,800	- -	- -	- -
Total expenditures	<u>167,100</u>	<u>178,414</u>	<u>183,026</u>	<u>(4,612)</u>
Excess of Revenue Over (Under) Expenditures	- -	11,269	15,865	4,596
Fund Balance, January 1, 2007	<u>178,398</u>	<u>178,398</u>	<u>178,398</u>	<u>- -</u>
Fund Balance, December 31, 2007	<u>\$178,398</u>	<u>\$189,667</u>	<u>\$194,263</u>	<u>\$4,596</u>